

MEDIA RELEASE

MINISTRY OF FINANCE MALAYSIA

Offer To Acquire 4 Highways

On 22 June 2019, I issued a statement confirming that on 21 June 2019 the Federal Government had made a conditional offer subject to Cabinet approval to acquire 4 highways – KESAS, LDP, SPRINT and SMART – at the total cost of RM6.2 billion. I had outlined the benefits of the acquisition, including at least RM5.3 billion in compensation payments that would be saved by the Government and up to RM180 million in annual toll savings for the highway users.

Highway users benefit by paying congestion charges, which is significantly reduced from the current toll charges, saving up to RM180 million annually. In principle, the Government will give discounts of up to 30% for hours outside of peak periods and free travel during off-peak periods.

The proposed acquisition cost of RM6.2 billion will be funded by a bond issuance that is fully financed, and paid for from the collection of congestion charges. This compares with having to pay RM18 billion in compensation for the highways to not collect any toll charges. Due to legacy issues from the previous government leading to financial constraints, the Federal Government cannot afford to fork out RM18 billion.

By issuing the RM6.2 billion bond at no cost to the Federal Government, there is a win-win solution because of the savings of at least RM5.3 billion in compensation to the 4 highways for freezing toll hikes.

The compensation cost for each highway and their respective expiration date, compared against their acquisition cost is reflected in the table below:

Highway	Expiry Date	Compensation Savings (RM million)	Acquisition (RM million)
KESAS	2028*	1,083 - 1,194	1,377
LDP	2030	1,925 - 2,242	2,470
SPRINT	2031 - 2034	1,572 - 2,040	1,984
SMART	2042	671 - 1,028	369
Total		5,251 - 6,504	6,200

** after a 5-year extension provided in the existing KESAS concession agreement approved by the previous government to cover shortfall in current revenue targets*

Questions have also been raised as to why the Government should acquire the highway concessions, which will expire between 9 to 23 years. Clearly the immediate rationale will be that highway users will pay a reduced congestion charge that can save them RM180 million annually.

Secondly, the concession period will not be lengthened but will expire in accordance with the existing concession agreements. Thirdly, upon expiry, the congestion charges will be further reduced significantly to cover only the operating and maintenance costs, without any profit element.

The conditional offers, when approved by the shareholders and creditors of the 4 highway concessionaires, are still subject to Cabinet approval. This was clearly stated in my statement on 22 June 2019, after the in-principle approval was first granted by Cabinet on 27 February 2019, as well as the YAB Prime Minister Tun Dr Mahathir approving the conditional offer on 20 June 2019.

Let me reiterate that the conditional offer is made after due diligence by professional banking consultants, in line with fulfilling the commitment by the Pakatan Harapan Government in its electoral manifesto, to take over highway concessions and gradually reduce toll rates, to ease the burden on the people.

Sayangi Malaysiaku!

Lim Guan Eng

Minister Of Finance

Ministry Of Finance Malaysia

Putrajaya

26 June 2019

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